

Department of Community and Economic Development

Economic Development Committee Meeting

June 7, 2004

4:00 p.m.

4th Floor Conference Room 4A

City Hall

777 B Street

Hayward, CA 94541-5007

A G E N D A

Public Comments: (Note: For matters not otherwise listed on the agenda. The Committee welcomes your comments under this section but is prohibited by State Law from discussing items not listed on the agenda. Your item will be taken under consideration and referred to staff.)

- 1. Approval of Minutes (May 3, 2004)**
- 2. Economic Development Activities Update**
- 3. Appointment of Nominating Committee**
- 4. Redevelopment Activities Update**
- 5. Committee Member Announcements**
- 6. Adjournment**



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**ECONOMIC DEVELOPMENT COMMITTEE
REGULAR MEETING
Minutes
MAY 3, 2004**

CALL TO ORDER: Chair Barrow called the meeting to order at 4:03 p.m.

ATTENDANCE:

Committee Member	Present 5/3/04	All Meetings Year to Date		Meetings Mandated By Resolution	
		Present	Absent	Present	Absent
Timothy Barrow (Chair)	✓	8	2	8	2
Steve Bristow	no	7	3	7	3
Mayor Cooper	✓	7	3	7	3
Council Member Dowling	✓	6	4	6	4
Joyce Jaquith	✓	9	1	9	1
Ed Mullins (Vice Chair)	✓	9	0	9	0
Joel Peña	✓	9	0	9	0
Lisa Ringer	✓	9	0	9	0
Council Member Ward	✓	5	5	5	5

OTHERS ATTENDING: Jesús Armas, City Manager
Sylvia Ehrental, Director of Community & Economic Development
Ann Bauman, Neighborhood and Economic Development Manager
Sally Porfido, Economic Development Specialist
Jeff Starkovich, Managing Partner, BT Commercial R.E.
Thomas Damaschino, BT Commercial R.E.
Doug Norton, Senior Vice President, CB Richard Ellis
Michael Walker, Senior Associate, CB Richard Ellis

PUBLIC COMMENT: None

APPROVAL OF MINUTES:

The minutes of April 5, 2004 were approved.

ECONOMIC DEVELOPMENT ACTIVITIES UPDATE:

Ms. Bauman reported there were no significant economic development activities for the month of April 2004.

COMMERCIAL REAL ESTATE UPDATE:

Ms. Bauman introduced the guest speakers, Jeff Starkovich, Managing Partner of BT Commercial Real Estate, Doug Norton, Senior Vice President of CB Richard Ellis, and Michael Walker, Senior Associate of CB Richard Ellis. The first commercial real estate update presentation was given by Jeff Starkovich.

WAREHOUSE:

The East Bay warehouse market ended the first quarter 2004 with vacancy at 11.1% compared to 10.8% in the previous quarter. Hayward had a 13.9% vacancy. The abundance of large, less functional spaces is having an adverse effect on both asking rates and vacancy for the East Bay market. This is the result of older facilities becoming vacant through facility closures or companies migrating out of the Bay Area market, offering large blocks of obsolete spaces that possess loading, staging and divisibility issues. The submarkets of Oakland, Union City and Hayward have all been impacted with extended vacancy issues due to these large, outdated facilities since the economic downturn of 2001. Total warehouse space available in Hayward is 2,8277,377 sq. ft.

Since the beginning of 2001, the overall average asking rate has declined by an average of 3.2% per quarter. The continued downward pressure on asking rates is caused by the record amount of spaces on the market across all size ranges. The average asking rate in Hayward is \$0.28/sq. ft. (vs. \$0.75/sq. ft. in San Mateo). In Hayward the average time on the market for Warehouse space is 10.9 months.

MANUFACTURING:

Since the economic slowdown that began in 2001, no commercial market has fared as well as the East Bay manufacturing market. Remarkably, vacancy has remained below 6% since 1994. In Hayward total available manufacturing space is 1,134,655 sq. ft. and the vacancy rate is 5.9%.

The smaller spaces in the 10,000 to 50,000 sq. ft. range are the most active. The average asking rate for Hayward Manufacturing space is \$0.42/sq. ft. and the average time on the market is 19.5 months.

The market for quality manufacturing space in the East Bay has remained stable. In spite of vacancy reaching its highest level in 9 years at 5.8%, it is still considered very healthy. Since the East Bay offers affordable rental rates while situated in close proximity to the Silicon Valley, Peninsula and San Francisco markets, it continues to attract local and regional companies in search of lower facility costs with Bay Area market presence.

OFFICE:

Following an optimistic second half of 2003, the East Bay office market softened in the first quarter of 2004. Vacancy reached a new height at 18.4% while total availability reached 5.3 million sq. ft., the highest amount on record.

The overall average asking rate in the East Bay declined \$0.03 from the previous quarter, ending at \$1.81 per sq. ft. full service.

All size range segments increased in the number of availabilities for the first quarter 2004.

R & D:

In the East Bay, Fremont has the most R & D space and the most available space. Hayward has 985,226 sq. ft. of R & D space available and a vacancy rate of 18.5%. The average rate per sq. ft. in Hayward R & D is \$0.708 and average time on the market is 15.2 months.

It could be 2008 to 2009 before rates go back up again for both Office and R & D space. It is still a tenant's market.

There has also been a trend of companies going to the Central Valley, Southern California, and out of state because California's high cost of Workman's Compensation Insurance, and the costs of taxes, wages and living in the Bay Area.

The Hayward building base breakdown is 40% Industrial, 35% Warehouse, 13% Office and 12% R&D. Overall, Mr. Starkovich believes that Hayward is in a better position than many East Bay cities because of the diversity of the types of businesses that exist in Hayward.

Mr. Doug Norton presented a Bay Area Market Update. This reflected a leveling off of the overall vacancy rate with a slight downward trend to 8.7%. According to C.B. Richard Ellis, the average asking rate per sq. ft. - \$0.35 for Warehouse, \$0.43 for Manufacturing and \$0.60 for R & D/Flex. These averages differ from those of BT Commercial because they use slightly different geographic market areas and handle different facilities.

Mr. Norton noted the following market trends:

- A sense of economic optimism and an improvement in user activity.
- The return of smaller users indicates a recovering.
- We expect rental rate softness to continue into 2005.
- Continued strong user interest in building ownership.
- Lack of land and appropriately zoned land sites limiting new industrial construction.
- Increased interest in demo/conversion of large industrial sites to residential and/or retail.
- Institutional interest in leased investments remains strong.

Mr. Norton reviewed several aerial photos of various sites of interest for potential future development. He also pointed out areas where the City of Hayward should be aware of deteriorating street conditions such as Crocker South where many of the streets like Hayman and San Clemente need repair. In particular, the condition of Breakwater Street is poor and needs attention.

Mr. Norton's final slide was a review of how the City can help:

- Ease stance regarding "up-zoning" of remaining industrial land
 - Manufacturing and R&D development will not "pencil" for some time.
 - Try to appreciate trucks' and warehouse's contribution to the local economy.
- Pt. Eden Gateway
 - Breakwater Street condition

- Whitesell Overpass
 - Gillig/Berkeley Farms congestion
 - Leslie Salt/Oliver Site
 - Calpine 300 MW Plant
- Incorporate and improve infrastructure in last pockets of industrial dirt in Depot Road, Dunn Road, and Saklan Road areas.
- Work with Caltrans to create new northbound Industrial Blvd. exit from 880.
- East Line of Industrial Parkway SW appears to be ripe for conversion to retail.

COMMITTEE MEMBER ANNOUNCEMENTS:

None.

ADJOURNMENT: Meeting was adjourned at 5:15 p.m.